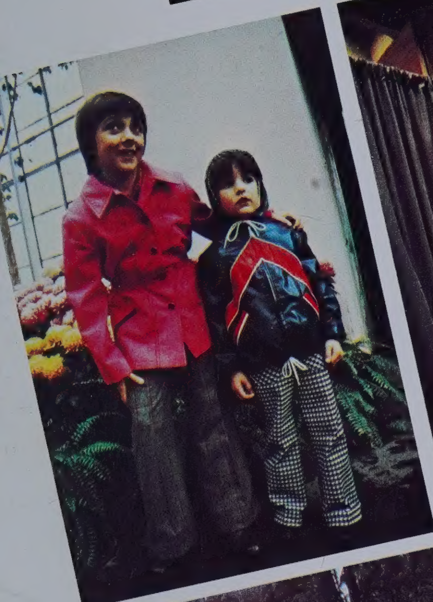
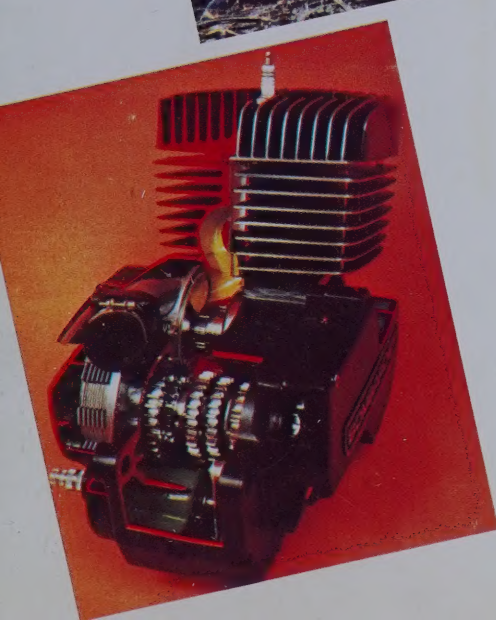
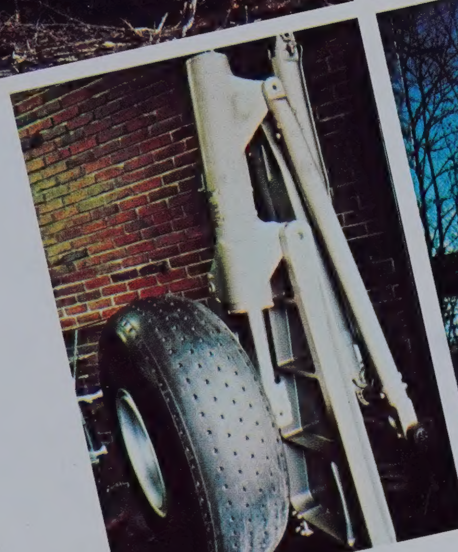
BOMBARDIER LIMITED®

Annual Report







Year ended January 31, 1974

Trustee and Registrar for Series A Debenture Holders
The Royal Trust Company,
Montreal, Que.
The registers are kept at the offices in Halifax, Quebec, Montreal, Toronto, Winnipeg and Vancouver.

Registrar, Transfer Agent and Dividend Disbursing Agent
Montreal Trust Company — Halifax, Quebec, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Stock Exchange Listings
Montreal, Toronto

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Copie française sur demande au Secrétariat, Bombardier Limitée, Valcourt, Québec, Canada.

Table of Contents

BOMBARDIER LIMITÉE

RAPPORT INTÉRIMAIRE
pour les six mois terminés le 31 juillet 1974

AUX ACTIONNAIRES

Les résultats financiers pour les 6 mois terminés le 31 juillet dernier démontrent une amélioration sur ceux de l'an dernier et constituent une indication de l'efficacité des mesures auxquelles il était fait allusion lors de l'assemblée annuelle.

Nos ventes nettes consolidées pour les six mois terminés le 31 juillet 1974 ont atteint $50,899,000 , comparativement à $37,968,000 , pour la période correspondante l'an dernier, soit une augmentation de 34 %. D'autre part, la perte au 31 juillet 1974, a été de $4,323,000 comparativement à une perte de $7,362,000 (voir note 2) pour la période terminée le 31 juillet, 1973.

D'une facon générale, les résultats obtenus sont encourageants, comparés à nos budgets et à ceux de la période correspondante l'an dernier.

Les efforts de diversification de nos filiales manufacturières continuent de donner de bons résultats et la proportion des ventes faites à l'extérieur du groupe Bombardier augmente sensiblement. Il est à prévoir que dans ce secteur, nous atteindrons les objectifs que nous nous sommes fixés pour l'année en cours.

La création du groupe des produits récréatifs, par l'intégration des divisions et des services de distribution concernés, donne également des résultats satisfaisants. Les ventes de ce groupe rencontrent les prévisions établies.

D'autre part, nous sommes affectés par l'augmentation du coût de financement à court terme et par la hausse des coûts de fabrication en général. Pour compenser ces coûts additionnels, les prix de vente de nos différents produits ont dû être augmentés récemment. Le climat d'incertitude économique ne semble pas cependant avoir eu à date un impact négatif sur nos opérations.

En résumé, bien que la période difficile ne soit pas terminée, nous continuons de prévoir que notre situation s'améliorera d'une façon appréciable d'ici la fin du présent exercice financier.

Au nom du CONSEIL D'ADMINISTRATION

Laurent Beaudoin, C.A.,
Président et Directeur général.

VALCOURT, QUÉ.
14 SEPTEMBRE 1974

BOMBARDIER LIMITÉE
et ses filiales
ÉTAT CONSOLIDÉ DES BÉNÉFICES
(Sujet à la vérification de fin d'année)

	Six mois terminés le 31 juillet 1974	1973 *(Note 2)*
	(en milliers de dollars)	
Ventes nettes	$ 50,899	$ 37,968
Coût des ventes, frais de vente et d'administration	49,035	40,043
Amortissement des immobilisations et des brevets	2,172	2,466
Amortissement des dépenses reportées et des frais de financement de la dette à long terme	236	14
Intérêts sur la dette à long terme	1,071	1,144
Autres intérêts	2,624	1,565
Autres dépenses	1,049	950
	56,187	46,182
Autres revenus	1,597	1,850
	54,590	44,332
Perte avant impôts sur le revenu et participation des actionnaires minoritaires	3,691	6,364
Participation des actionnaires minoritaires dans le bénéfice (perte) net (te) de filiales	79	(72)
Impôts sur le revenu	553	1,070
Perte nette	$ 4,323	$ 7,362
Perte nette par action de classe A et de classe B	26.6¢	45.3¢

NOTES

1. Au cours des exercices financiers antérieurs, la Compagnie avait comme politique d'amortir ses immobilisations aux taux maxima permis pour fins fiscales. De plus, dans la préparation des états financiers intérimaires, des impôts débiteurs étaient calculés sur les pertes de certaines compagnies qui budgétaient un profit sur une base annuelle. Au 31 juillet 1973, ces impôts débiteurs s'élevaient à $3,277,616. et ont réduit la perte d'autant. Pour le présent exercice financier, aucun impôt débiteur n'a été calculé.

La politique d'amortissement des immobilisations est changée pour celle de la ligne droite à compter du début du présent exercice. Les taux d'amortissement utilisés sont basés sur la durée d'utilisation prévue qui se résume comme suit:

Bâtisses	de 10 à 40 ans
Mobilier, équipement de bureau et d'atelier	de 4 à 10 ans
Machinerie et outillage	de 3 à 15 ans
Matériel roulant	de 3 à 5 ans
Matrices et moules	de 2 à 3 ans

2. Les chiffres de l'exercice terminé le 31 juillet 1973 ont été redressés pour:

a) reclassifier certains postes:
Virement du profit sur ventes d'immobilisations et de placements aux autres revenus $1,032,000
Virement des impôts y afférents au poste impôts sur le revenu $415,000

b) tenir compte des changements mentionnés à la note 1:

Perte nette selon le rapport intérimaire du 31 juillet 1973	$4,789
Ajouter: annulation des impôts sur le revenu débiteurs	3,278
	8,067
Déduire: amortissement moindre des immobilisations ($1,064,597) moins l'augmentation des impôts sur le revenu y afférents ($359,367)	705
Perte nette revisée	$7,362

BOMBARDIER LIMITÉE
et ses filiales
ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE
(Sujet à la vérification de fin d'année)

	Six mois terminés le 31 juillet 1974	1973*
	(en milliers de dollars)	
Provenance des fonds		
Emprunt à long terme	$ 160	$ 1,500
Subventions gouvernementales	163	99
Diminution des hypothèques et autres créances à recevoir	57	102
Aliénations d'immobilisations	418	1,090
Ventes de placements	242	–
Autres	–	144
	1,040	2,935
Emploi des fonds		
Perte nette	4,323	7,362
Participation des actionnaires minoritaires dans le (bénéfice) perte net (te) de filiales	(79)	72
Amortissement des immobilisations et des brevets	(2,172)	(2,466)
Amortissement des dépenses reportées et des frais de financement de la dette à long terme	(236)	(14)
	1,836	4,954
Achats d'actions de filiales consolidées	356	1,171
Acquisitions d'immobilisations en matrices et moules	851	2,199
Acquisitions d'autres immobilisations	1,064	2,213
Diminution de la dette à long terme	562	1,415
Autre	106	
Fonds de roulement déficitaire d'une nouvelle filiale à la date d'acquisition du contrôle	–	1,584
Dividendes		
Sur les actions de classe A	–	36
Sur les actions privilégiées d'une filiale	–	26
	4,775	13,598
Diminution du fonds de roulement	3,735	10,663
Fonds de roulement au 31 janvier	34,344	39,365
Fonds de roulement au 31 juillet	$ 30,609	$ 28,702

**Les chiffres de l'année 1973 ont été redressés pour faciliter la comparaison avec ceux de l'année 1974.*

BOMBARDIER LIMITED

Jilo

INTERIM REPORT
for the six months ended july 31, 1974

TO THE SHAREHOLDERS:

The financial results for the first six month period ending July 31st, 1974, indicate an improvement over last year and reflect the effectiveness of the measures referred to at the annual shareholders meeting.

Consolidated sales for the six months ending July 31st, 1974 reached $50,899,000, in comparison with $37.968,000 , reported for the same period last year,an increase of 34 %. The loss, for this period decreased to $4.323,000 , in comparison to $7,362,000 (see foot-note 2) for the corresponding period last year.

The overall results obtained are encouraging, according to budgets and in comparison to last year's figures at the same date.

The diversification efforts implemented by our manufacturing subsidiaries continue to show positive results and the proportion of sales made outside the Bombardier group has increased. We can foresee that, in this sector, we will reach the objectives set for the current year.

The creation of the Recreational Products Group, arrived at by the integration of all divisions and distribution services concerned, also shows satisfactory results. The sales of this group are in accordance with our established forecasts.

The rise in costs on short-term financing and in manufacturing in general, affected our financial position. In order to compensate for these higher costs, we had to recently increase the selling price of our products. The uncertain economic climate has not yet had a negative impact on our operations.

To summarize, although we are not over the difficult period yet, we continue to foresee that our situation will improve appreciably from now to the end of the present fiscal year.

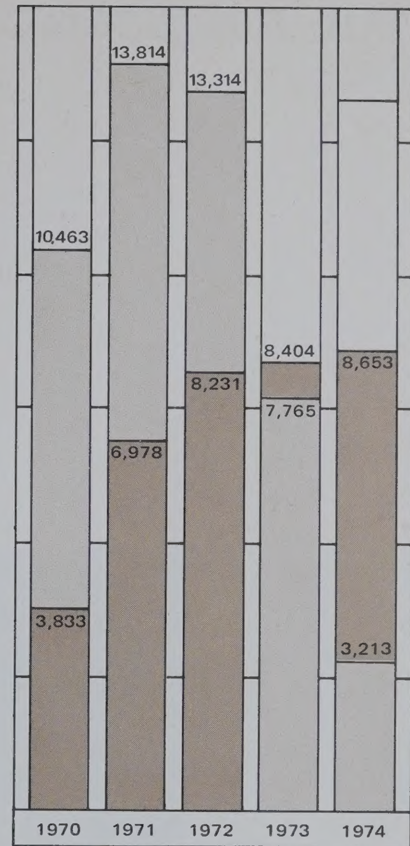
On behalf of the BOARD OF DIRECTORS

Laurent Beaudoin,
President and General Manager.

VALCOURT, QUE.
SEPTEMBER 14, 1974

HIGHLIGHTS

Highlights	Financial year ended January 31, 1974	Financial year ended January 31, 1973
Net sales	$132,143,998	$150,785,591
Net (loss) earnings	(7,862,116)	547,897
Additions to fixed assets and patents, net of disposals	3,213,274	7,764,632
Taxes on income	2,338,804	4,006,994
Depreciation of fixed assets, amortization of patents and long term debt financing expense	8,652,536	8,403,733
Net (loss) earnings per common share	($0.49)	$0.03
Number of common shares outstanding	16,234,968	15,900,000
Shareholders of record	5,719	5,305
Dividends per class "A" common share	—	$0.60
Dividends per class "B" common share	—	$0.05
Working capital	$ 34,343,587	$ 39,365,242
Net book value of fixed assets	31,510,118	34,869,138

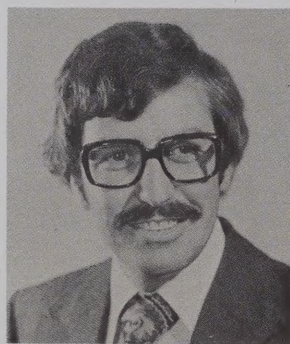


(in thousands of dollars)
Capital expenditures
Depreciation

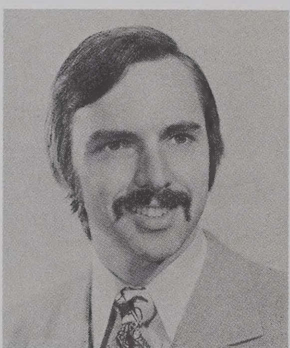
(in dollars)
Net book value per share
Earnings per share

THE PRESIDENT'S REPORT

Laurent Beaudoin, President

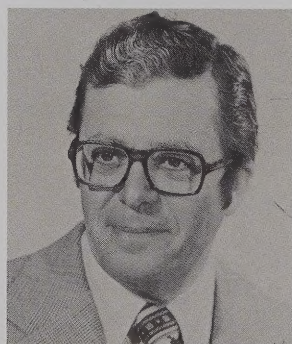


André Bombardier

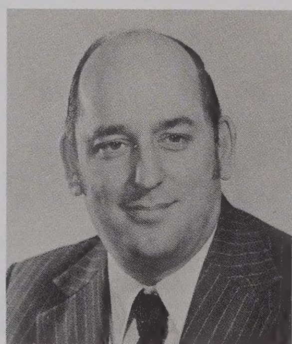


Jean-Louis Fontaine

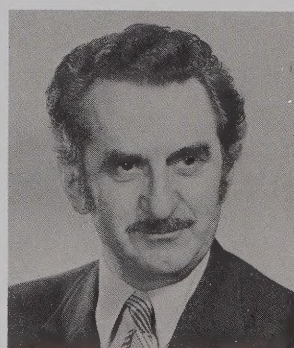
John N. Cole



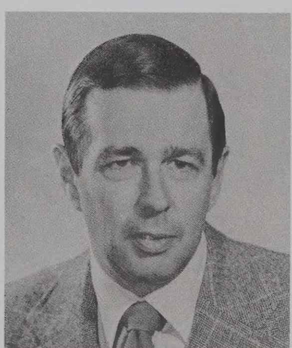
Jean-Paul Gagnon



Pierre Poitras



Hon. Jean-Luc Pépin



Charles Leblanc

Financial Results

Because of the problems faced by the snowmobile industry in 1973 and due to unforeseen economic factors, results for the financial year ended January 31, 1974 do not correspond with our earlier estimates. We have suffered a consolidated net loss, before extraordinary items and after depreciation, of $5,976,050 for the financial year ended January 31, 1974 while we had reported consolidated net earnings of $547,897 for the same period in the previous year. Consolidated net sales for the financial year ended January 31, 1974 amounted to $132,143,998 compared with $150,785,591 for the same period in the previous year.

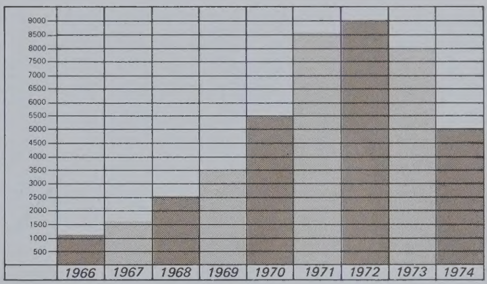
Recreational Products Group

In the past three years, the snowmobile industry has been faced with many problems, exposed in previous annual reports, which were compounded in 1973 by inflation and the energy crisis, further affecting the profitability of the industry. Certain manufacturers were forced to withdraw from the industry and it is expected that others will follow in the near future. Although inventories for the industry, according to estimates dated March 31, 1974, have decreased, we can expect the coming season, like the past one, to be difficult.

Serious price disruptions will persist at the retail level as other manufacturers withdraw from the industry. On the other hand, most manufacturers, including ourselves, are planning to cut production volume in 1974. Snowmobile inventories within the industry should therefore decrease during the next season and we are confident that market prospects will improve in 1975. A normal annual growth rate for the industry should then be resumed.

The energy crisis ranks high among the economic factors which we were unable to foresee, and it has seriously aggravated the problems faced by the industry. In the United States, the oil shortage and poor snow conditions have had a direct effect on snowmobile sales across the industry. In Canada, the effects of the energy crisis on snowmobile sales have not been so severe, but have nevertheless been felt in Ontario and Quebec.

In the other Canadian provinces, however, snowmobile sales of the industry increased. Since this market is not as important as the Quebec and Ontario market, such increase failed to offset the decrease registered in Quebec and Ontario.



Number of employees of the Bombardier Group

Sales by Profit Center (thousands of dollars)

	1970	1971	1972	1973	1974
Ski-Doo products	135,600	149,900	140,000	107,800	81,700
Moto-Ski products	—	—	26,300	23,400	17,600
Industrial products	5,900	5,800	6,500	8,100	11,000
Products of manufacturing subsidiaries	20,200	61,600	56,700	56,900	55,900
Total	161,700	217,300	229,500	196,200	166,200
Inter-division sales	20,000	52,400	46,600	45,400	34,100
Net consolidated sales	141,700	164,900	182,900	150,800	132,100

Net (Loss) Earnings by Profit Center (thousands of dollars)

	1970	1971	1972	1973	1974
Ski-Doo products	14,800	9,900	6,700	(1,000)	(4,800)
Moto-Ski products	—	—	(1,000)	(1,900)	(3,600)
Industrial products	(400)	(300)	(100)	—	400
Products of manufacturing subsidiaries	2,400	6,000	6,500	3,400	100 (2)
Total	16,800	15,600 (1)	12,100	500	(7,900)

(1) Restated figure.

(2) This figure takes into account a provision of $522,000 we had to make for losses incurred by the closing of our Jarry Precision Ltd. manufacturing plant and a write-off of $1,677,000 from net assets representing goodwill acquired at the time of purchase of this subsidiary.

On August 29th, the Ski-Doo Division of Bombardier Limited manufactured its one millionth Ski-Doo snowmobile. The event was significant as it attested to fifty years of realizations.

As for ourselves, we have succeeded in reversing the downward trend of the past few years and in increasing our share of the total current models market. We have also succeeded in reducing our total inventory at manufacturer, distributor and dealer levels. At the end of March of this year, Ski-Doo's inventories totalled 26,000 units compared with 38,000 for the same period last year, and Moto-Ski's totalled 8,000 compared with 12,000.

During the current financial year, we shall strive, of course, to maintain our leadership in the industry. However, our principal aim is to take all the necessary steps to ensure that our snowmobile related operations are profitable. Our sales of snowmobiles and related products have decreased by 24 percent during the financial year ended January 31, 1974, and we suffered a loss in that area of $8.4 million compared with $2.9 million for the same period in the previous year.

This loss is due to different factors. With the energy crisis breaking out last November, and foreseeing its effects on sales of the whole industry, we decided to reduce our snowmobile production. We manufactured 8,000 units less than had originally been planned. We estimate that approximately $2 million of the loss can be attributed to this situation, because the decision was taken at a late date in the season and because of the many indirect expenses in marketing, finance, production and research that had already been incurred. Moreover, this measure resulted in an increase in our spare parts inventory as of January 31, 1974 in that the spare parts for the 8,000 cancelled units had already been manufactured.

It follows from the foregoing that the Recreational Products Group must diversify. To this end one of the major projects undertaken in 1973 was the marketing of the Can-Am motorcycle. Net costs of development, pre-production and marketing, incurred during the financial year ended January 31, 1974 amounted to $2.2 million. Owing to the importance of the project, we have decided to amortize these costs over the next five years.

It is our intention to follow the same policy in the future in connection with any major diversification project to be implemented where the lump sum write-off of costs incurred in any single fiscal year could significantly affect the results of that year.

The Ski-Doo T'NT Everest snowmobile assembly line in Valcourt.

T'NT
T'NT
ski-doo
T'NT

The new multi-terrain tracked vehicle for transport of personnel, the Bombi, will be launched on the market by the Industrial Group this fall.

Manufacturing Subsidiaries Group

In December 1973, we decided to close our clutch pulley manufacturing plant, Jarry Precision Ltd., of Laval, as it was no longer profitable. This decision helped to increase the loss after extraordinary items to $7,862,116 as we had to make a provision of $522,000 for losses incurred by the closing of the plant, in addition to writing-off $1,677,000 from net assets, representing goodwill which had been created at the time of purchase of this subsidiary.

Sales of the manufacturing subsidiaries to industries other than the snowmobile industry and to companies other than the Bombardier Group, have increased during the financial year ended January 31, 1974. These amounted to $21.8 million compared with $11.5 million for the same period in the previous year, being an increase of $10.3 million, which amount includes sales of $7 million, made during the financial year ended January 31, 1974 by Heroux Limited, a subsidiary acquired on February 9, 1973.

Despite efforts toward diversification, our manufacturing subsidiaries remain closely geared to our snowmobile related operations upon which their profitability largely depends. As an illustration, the net operating earnings of the manufacturing group were $2.3 million for the fiscal year ended January 31, 1974 as against $3.4 million for the previous fiscal year.

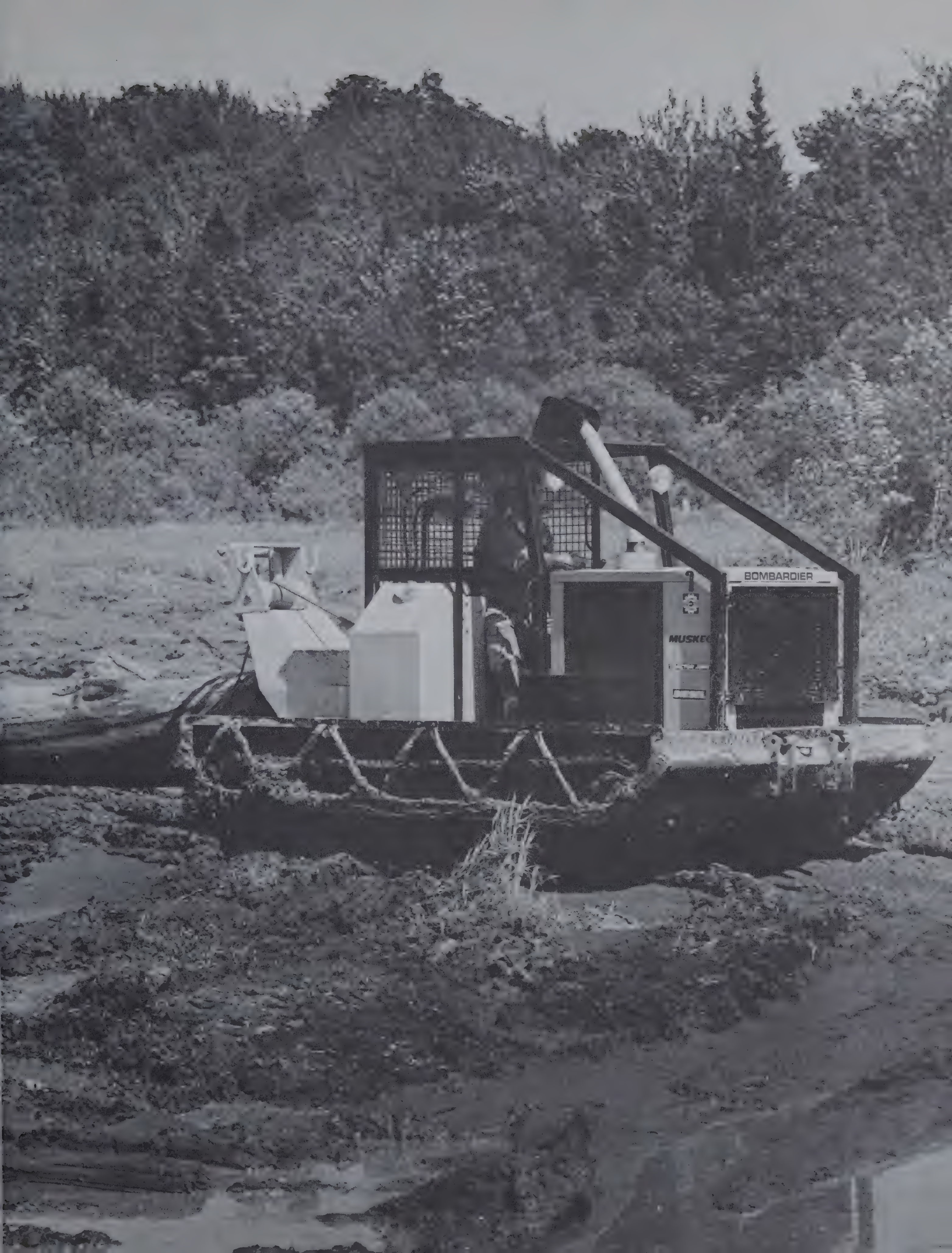
Factors other than the abovementioned have also affected the profitability of Bombardier Limited. The shortage of certain materials and parts, the increase in bank interest rates, fluctuations in the Austrian shilling, and the increase in prices of raw materials have contributed to an increase in manufacturing costs per unit.

The Industrial Group

Sales of the Industrial Group have increased by 36 percent for the year ended January 31, 1974 compared with the same period in the previous year, and we expect a similar increase next year. It is the first time since its establishment as an autonomous division that this group has reported net earnings.

The Industrial Group will be marketing a new vehicle this year called the Bombi. This small tracked personnel carrier designed for snow and marshy terrain is intended for use by industrial concerns and public utilities. It has been well-received by the distributors and demand seems to exceed the production volume feasible this year.

The Muskeg Jimmy Skidder tractor at work. This vehicle has been designed for forestry work in marshy terrain.


BOMBARDIER

INVITATION, the new sailboat designed and marketed by Bombardier, is safe, easy to handle and designed for family fun. The new sailboat was launched on the market this spring and is now available at our recreational products dealerships.

The Bombardier-Rotax Group

The Vienna plant of the Bombardier-Rotax Group, which specializes in the manufacturing of tramcars, had excellent sales in the past year and prospects for the current year are very good.

The Gunskirchen plant had to decrease its snowmobile engine production in 1973 which decrease has been partially offset by the production of Can-Am motorcycle engines. It is because of the quality and performance of the Rotax engine that our motorcycle has been acclaimed as one of the best currently on the North American market.

Measures taken to improve the Company's profitability

In order to overcome the difficulties which we are now facing, we have taken different steps during 1973, some of which have already borne fruit.

I. At the Recreational Products Group level, we closed the Ski-Doo Division's Montreal warehouse in the spring of 1973 and moved the marketing services to Valcourt. Next year's financial statements should therefore reflect a reduction in operating costs.

The Can-Am motorcycles are available in two models with a 125cc and 175cc version of each.

Furthermore, owing to the decrease in snowmobile production, we decided to modify the organization of all related operations. To this end, we recently combined all the departments of the Can-Am and Moto-Ski Divisions with those of the Ski-Doo Division in Valcourt. We have therefore closed the marketing offices of Moto-Ski in Montreal and have moved most of the administrative services from La Pocatière. The above-mentioned three divisions now form the Recreational Products Group which reports to a single corporate management.

We also decided to combine Ski-Doo's Quebec distribution services with those of Ontario and the Maritimes. The new Eastern Canada Distribution Division has its offices in Boucherville, Quebec and is responsible for the distribution of our Ski-Doo and Can-Am products in Quebec, Ontario and the Maritimes. This Division also distributes Moto-Ski snowmobiles in Quebec and the Maritimes following the recent integration of M.S. (1971) Distribution Ltd. (St-Hyacinthe, Quebec), and Moto-Ski Ltd. (Moncton, New Brunswick), into the Eastern Canada Distribution Division.

The amalgamation of Ski-Doo, Can-Am and Moto-Ski distribution services called for changes in our spare parts warehousing procedures for these products. Following the closing of a certain number of warehouses, and in order to reduce operating costs, secure a better control on inventories and ensure our dealers of a distribution system which meets the current


can-am
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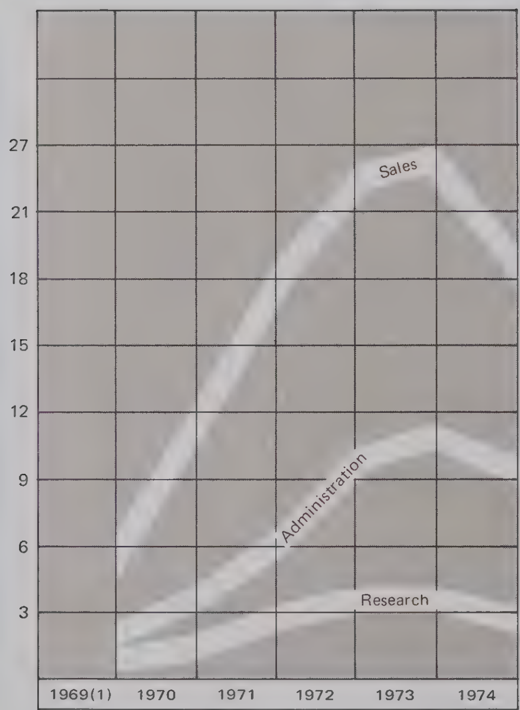


Expenses (millions of dollars)
(1) 10 months

market requirements, it has recently been decided to store all spare parts for recreational products in a single warehouse in Boucherville. We also instigated many changes to our distribution services in the United States. To increase the efficiency of our operations, we acquired last August the net assets of Halvorson Incorporated which have been integrated with those of Bombardier Corporation. With the additional turnover, the latter subsidiary should now become profitable.

The territories of Southern Michigan, Ohio and Indiana, which until recently were supplied by another distributor, have been combined with those of Bombardier Corporation which now serves all of the Midwest and Western United States.

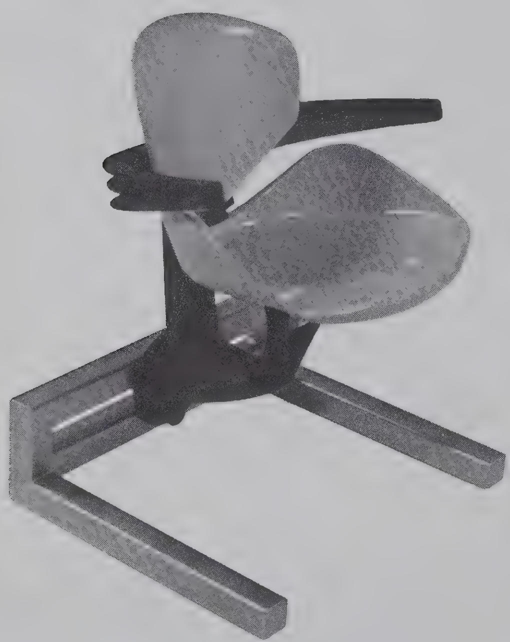
We have also merged the distribution operations of Moto-Ski Inc., Minneapolis, with those of Bombardier Corporation.

Distribution of our Ski-Doo and Can-Am products in Massachusetts, Connecticut and Rhode Island, previously handled by our distribution subsidiary, Bombardier East, Inc., has been given to another distributor. In view of all the above-mentioned measures, we foresee the possibility of saving in the order of $5.5 million in marketing expenses during the current fiscal year. Our Moto-Ski subsidiary will draw nearer to the break-even point instead of sustaining substantial losses, as in the past three years. In the medium run, however, we will have to reorient production at this subsidiary. Efforts are being made to this end at present.

At the beginning of this year, steps were taken to standardize our snowmobile and spare parts production. Moveover, we have re-organized Ski-Doo and Can-Am production schedules in order to have a single work force on duty all year around. By January 31, 1974, we had already produced 3,230 1975 snowmobile model units. Hence, the value of our inventories increased proportionately.

If demand for our Can-Am products proves to be in accordance with our forecasts — we expect to sell 9,000 units this year — we will be able, as early as next fall, to start assembling motorcycles from November through April and snowmobiles, from May through October. The first measures should bring about a reduction in manufacturing costs and the latter, a decrease in inventories.

Two of the new designs from the ski apparel line recently introduced by the apparel division of Bombardier Limited. These clothes will be available on the market this fall.



The Olympic stadium and velodrome fiberglass seat manufactured by Roski Ltd. The order is for 82,000 units to be delivered by 1976.

2. At the Manufacturing Subsidiaries Group level, to accelerate the diversification program already undertaken by the manufacturing subsidiaries, to centralize their marketing efforts and to ensure a better administrative and financial control, we have recently created a corporate management group to which the Apparel Division and the six manufacturing subsidiaries: Rockland Industries Ltd., La Salle Plastics Inc., Ville-Marie Upholstering Ltd., Heroux Limited, Roski Ltd., and Drummond Automatic Plating Inc. report directly.

Our subsidiary Roski Ltd. has secured the manufacturing contract for the Olympic stadium and velodrome seats in the amount of $3,504,382. This subsidiary also manufactures the new fiberglass sailboat which the Company put on the market this spring. This sailboat, under the trade-mark **Invitation,** has been conceived with a view to diversifying this subsidiary's production and to supporting our recreational products distribution network.

The Apparel Division has expanded its lines of children's clothing and has recently introduced ski and motorcycle apparel which will be available next fall.

Heroux Limited, manufacturer of aeronautical parts, is presently working towards taking advantage of its highly specialized technology in fields other than aeronautics. Its St. John Quebec plant has signed new contracts for the maintenance and repair of an increasing number of civilian and military aircraft parts.

We are confident that we shall be able to improve the Company's position by the end of the current fiscal year as a result of the strict measures taken to reduce expenses and the diversification efforts undertaken to make the Company less dependent upon the snowmobile industry.

Laurent Beaudoin

President and Chief Executive Officer

April 25, 1974
Valcourt, P.Q.

BOMBARDIER LIMITED
and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

year ended January 31, 1974

CONSOLIDATED STATEMENTS OF EARNINGS AND OF RETAINED EARNINGS
year ended January 31, 1974

CONSOLIDATED STATEMENT OF EARNINGS

	1974	1973
Net sales	$132,143,998	$150,785,591
Cost of sales	93,839,556	99,415,873
Selling and administrative expenses	29,669,266	34,083,475
Depreciation of fixed assets, amortization of patents and long term debt financing expense	8,652,536	8,403,733
Interest on long term debt	2,281,045	2,215,945
Other interest	3,744,276	1,990,235
Other expenses	734,330	1,735,826
	138,921,009	147,845,087
Other income (Note 18)	3,139,113	1,608,571
	135,781,896	146,236,516
(Loss) earnings before taxes on income, minority shareholders' interest and extraordinary items	(3,637,898)	4,549,075
Minority shareholders' interest in subsidiaries' net loss	652	5,816
Taxes on income	2,303,915	2,855,217
Deferred taxes on income	34,889	1,151,777
Net (loss) earnings before extraordinary items	(5,976,050)	547,897
Recovery of taxes on income arising from the application of prior years' losses	698,714	—
Deferred income taxes debits written-off	(386,100)	—
Provision for loss due to the closing of a plant and write-off of the excess of cost of shares of a subsidiary company over book value of its net assets at dates of acquisition ($1,676,734)	(2,198,680)	—
Net (loss) earnings	$(7,862,116)	$ 547,897
Class A and Class B per share (loss) earnings*		
Before extraordinary items	(37.2¢)	3.4¢
Including extraordinary items	(48.9¢)	3.4¢

* Number of shares 1974 – 16,064,272 (weighted average)
1973 – 15,900,000

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1974	1973
Balance at beginning of year	$ 61,180,806	$ 63,319,278
Net earnings	—	547,897
Contributed surplus (Note 19)	77,681	139,468
Excess of book value of shares in a 50% owned company over their cost at acquisition date of a controlling interest	—	75,323
	61,258,487	64,081,966
Net loss	7,862,116	—
Dividends		
Class A shares (Note 15)	35,700	1,740,000
Class B shares	—	650,000
Preferred shares of a subsidiary company	48,733	83,004
Additional taxes on income for year 1971	—	428,156
Balance at end of year	$ 53,311,938	$ 61,180,806

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL
year ended January 31, 1974

	1974	1973
Source of funds		
Net (loss) earnings	$(7,862,116)	$ 547,897
Depreciation of fixed assets, amortization of patents and long term debt financing expense	8,652,536	8,403,733
Write-off of the excess of cost of shares of a subsidiary company over book value of its net assets at dates of acquisition	1,676,734	—
Minority shareholders' interest in subsidiaries' net loss	(652)	(5,816)
Funds derived from operations	2,466,502	8,945,814
Long term loans	1,966,828	1,993,548
Governments' grants	77,681	185,123
Sales of investments	193,749	—
Issue of shares	1,222,633	—
Increase in provision for severance pay and pension costs to employees of a subsidiary company	205,026	138,228
Disposals of fixed assets	3,820,031	569,676
Negative goodwill upon acquisition of assets	574,536	—
Other	9,227	94,375
	10,536,213	11,926,764
Application of funds		
Additions to fixed assets – dies and jigs	2,577,102	2,725,103
Other additions to fixed assets and patents	4,456,203	5,609,205
Purchases of investments	20,000	25,902
Purchases of consolidated subsidiaries' shares	1,171,500	1,029,553
Increase (decrease) in mortgages and other non-current receivables	114,340	(26,534)
Deferred expenses (net)	2,216,642	—
Reduction of long term debt	3,334,033	1,212,677
Working capital deficiency (working capital) of a new subsidiary at acquisition date of a controlling interest	1,583,615	(10,269)
Dividends	84,433	2,473,004
Additional taxes on income	—	428,156
	15,557,868	13,466,797
Decrease in working capital	5,021,655	1,540,033
Working capital at beginning of year	39,365,242	40,905,275
Working capital at end of year	$34,343,587	$39,365,242

CONSOLIDATED BALANCE SHEET AS AT JANUARY 31, 1974

Assets	1974	1973
Current assets		
Cash	$ 7,615,382	$ 3,593,047
Accounts receivable	16,816,625	14,904,271
Fire insurance claim receivable	2,771,800	—
Inventories (Note 2)	59,100,636	47,575,423
Prepaid expenses	1,159,090	1,685,682
Taxes on income	4,847,660	6,188,377
	92,311,193	73,946,800
Investments		
Shares of other companies	58,865	44,830
Marketable securities at cost (Market value – 1974: $550,198; 1973: $639,500)	283,401	350,781
Mortgages and other non-current receivables (Note 3)	372,773	253,433
	715,039	649,044
Fixed assets (Note 4)		
Land, buildings, equipment and miscellaneous, at cost	70,824,312	68,380,495
Accumulated depreciation	39,314,194	33,511,357
	31,510,118	34,869,138
Other assets		
Patents, less accumulated amortization (Note 5)	839,141	945,125
Unamortized long term debt financing expense (Note 6)	497,629	526,201
Deferred expenses (net) (Note 7)	2,216,642	—
Other assets	—	29,446
Goodwill (Note 8)	2,327,499	2,902,035
Excess of cost of shares of subsidiary companies over book value of their net assets, at dates of acquisition (Note 9)	25,044,287	25,886,342
	30,925,198	30,289,149
	$155,461,548	$139,754,131

On behalf of the Board:

Laurent Beaudoin, director

Pierre Poitras, director

Liabilities

	1974	1973
Current liabilities		
Accounts payable and accrued liabilities	**$ 17,827,736**	$ 11,616,090
Bank loans (Note 10)	**37,077,595**	19,437,450
Warranty provision	**1,434,033**	1,673,735
Deferred taxes on income (Note 11)	**804,263**	312,812
Dividends payable	**—**	435,000
Long term debt due within one year	**823,979**	1,106,471
	57,967,606	34,581,558
Long term debt (Note 12)	**23,565,200**	23,808,862
Provision for severance pay and pension costs	**859,531**	654,505
Minority shareholders' interest in subsidiary companies (Note 13)	**493,707**	1,487,467
Shareholders' equity		
Capital stock (Note 14)	**19,263,566**	18,040,933
Retained earnings	**53,311,938**	61,180,806
	72,575,504	79,221,739
	$155,461,548	$139,754,131

Contingent liabilities and commitments (Note 20)

1. Basis of consolidation

a) The consolidated financial statements include the accounts of the Company and all its subsidiaries.

The accounts of foreign subsidiaries have been translated into Canadian dollars as follows:

- Current assets and current liabilities, at exchange rates in effect as at January, 31, 1974.
- Fixed assets, investments, long term debt and other non-current liabilities on the basis of rates prevailing at each transaction date.
- Accumulated depreciation or amortization, on the basis of the equivalent Canadian dollar cost of the related fixed assets.
- Revenue and expenditure accounts, except depreciation or amortization, at the average rates of exchange during the year.

b) 1973 figures have been restated to facilitate the comparison with those of 1974.

2. Inventories

Inventories are valued at the lower of cost or net realizable value and consist of the following:

Raw materials		$ 22,591,175
Products in process		4,405,469
Finished products		
Vehicles	$ 13,418,887	
Parts	16,709,085	
Other	1,976,020	32,103,992
		$ 59,100,636

3. Mortgages and other non-current receivables

This amount is made-up as follows:

Mortgages receivable	$ 198,203
Notes receivable	45,000
Grant receivable	11,465
Long term loans	83,778
Rights, options, . . .	34,327
	$ 372,773

4. Fixed assets

Fixed assets are valued at cost and the accumulated depreciation has been computed at maximum rates allowable for tax purposes.

	Cost	Accumulated depreciation	Net book value
Land	$ 1,641,225		$ 1,641,225
Buildings	23,316,707	$ 6,414,626	16,902,081
Equipment	44,482,677	32,372,947	12,109,730
Other	1,383,703	526,621	857,082
	$ 70,824,312	$ 39,314,194	$ 31,510,118

5. Patents

Patents are valued at cost and the amortization thereon is included in the Consolidated Statement of Earnings under "Depreciation".

Cost		$ 1,423,355
Accumulated amortization January 31, 1973	$ 478,230	
Amount charged to operations	105,984	
Accumulated amortization January 31, 1974		584,214
		$ 839,141

6. Long term debt financing expense

Financing expense is amortized over the term of the debentures issue and the amortization charged to operations is shown in the Consolidated Statement of Earnings under "Depreciation".

Unamortized balance at January 31, 1973	$ 526,201
Amount charged to operations	28,572
Unamortized balance at January 31, 1974	$ 497,629

7. Deferred expenses (net)

The net production and marketing start-up costs of CAN-AM motorcycles have been deferred to future years. These expenses will be absorbed in the next five financial years.

8. Goodwill

Goodwill arises from the acquisition by the Company and its subsidiaries of net assets, during the financial years ended January 31, 1972 and 1974. No amortization has been written-off against Consolidated Earnings and Consolidated Retained Earnings.

9. Excess of cost of shares of subsidiary companies over book value of their net assets, at dates of acquisition.

This amount relates to acquisitions of subsidiaries' shares by the Company or its subsidiaries during the 1970, 1971, 1972, 1973 and 1974 financial years. The only amortization written-off since January 31, 1969 is reflected in the Consolidated Statement of Earnings under "extraordinary items"; it relates to the closing of a plant by a subsidiary company.

10. Bank loans

The bank loans outstanding at the balance sheet date are secured as follows:

General assignment of book debts given by the Company and certain subsidiaries	$ 16,475,320
General assignment of inventories given by the Company and certain subsidiaries	48,711,596
Floating charge given by one subsidiary	479,366

11. Deferred taxes on income

Deferred taxes on income relate to expenses deducted in reported profits in periods other than those in which they are included in the calculation of taxable income.

No deferred income tax debits have been recognized in the financial statements for potential tax benefits resulting from possible loss carry-forwards for tax purposes and for timing differences between reported and taxable income, in the case of loss operating companies.

The amount of the loss carry-forwards for tax purposes aggregates approximately $9,968,000 as at January 31, 1974.

The timing differences which, if recognized, would have resulted in a deferred income tax debit amount to approximately $5,350,000, at the same date.

12. Long term debt

Bombardier Limited	
Sinking fund debentures	
Series A, 9%, 07/01/81	$ 9,550,000
Series A, 9⅜%, 07/01/91	9,700,000
Mortgage loans	
9%, 1995	15,987
8½%, 1994	15,770
10½%, 1975	18,868
6¾%, 1992	19,040
Notes payable	
4%, 1977	54,448
6%, 1976	300,000
Bombardier Corporation	
7½% Mortgage loan, 1981	184,344
6% Note payable, 1976	3,706
Bombardier-Rotax G.m.b.H.	
Sundry	22,936
Bombardier (Quebec) Ltd.	
9¾% Mortgage loan, 10/01/81	594,895
Heroux Limited	
6½% Mortgage loan, 1983	1,900,000
7½% First mortgage bonds, 1975	151,200
Notes payable, 1978	122,645
6% Notes payable, 1975	12,000
Rockland Industries Ltd.	
Non-interest bearing note, 1978	417,321
Moto-Ski Limited	
12½% First mortgage bonds, 01/15/76	450,000
Performance Products, Inc.	
7% Mortgage loan, 1977	117,942
Ville-Marie Upholstering Ltd.	
10% Mortgage loan, 02/01/78	203,455
Walker Manufacturing Co. Ltd.	
8½% Mortgage loan, 06/01/77	534,921
	24,389,179
Amount due within one year (less debentures already redeemed)	823,979
	$ 23,565,200

Under the terms of the Trust Indenture signed at the date of issue of the Series A Debentures, said debentures are secured by a floating charge upon the undertaking and all property and assets, both present and future, of the Company in Canada.

The repayment requirements on the consolidated long term debt of the Company and its subsidiaries during the next five financial years are as follows:

1975	$ 823,979
1976	1,391,256
1977	1,339,911
1978	1,378,082
1979	1,356,645

13. Minority shareholders' interest in subsidiary companies

Preferred Shares	
Jarry Precision Ltd.	
6,546 Preferred Shares with a par value of $100 each, 7% non cumulative, redeemable at $100 (Note 21)	$ 654,600
Common Shares and Accumulated Deficit	(160,893)
	$ 493,707

14. Capital Stock

The capital stock of the Company is as follows:

Authorized

25,000,000 Class A Common Shares, without nominal or par value
13,000,000 Class B Common Shares, without nominal or par value

Issued and fully paid

3,482,968 Class A Common Shares	$ 19,228,767
12,752,000 Class B Common Shares	34,799
	$ 19,263,566

During the year, 248,000 Class B Common Shares of the issued capital stock of the Company have been converted into Class A Common Shares. 334,968 Class A Common Shares have been issued under date of August 6, 1973.

No dividends may be declared on the Class B Common Shares unless, during the then current financial year of the Company, at least an equivalent per share dividend shall have been declared on the Class A Common Shares. Each Class B Common Share is convertible, at the option of the holder, into one Class A Common Share and 12,752,000 Class A Common Shares are reserved for such purpose. In all other respects the two classes of shares have the same rights and attributes.

15. Dividends

The Consolidated Balance Sheet as at January 31, 1973 showed a total amount of $435,000 of dividends payable. The dividends paid on March 15, 1973 to the Class A shareholders of record on February 28, 1973 aggregated $470,700.

16. Dividends covenant

The Trust Indenture signed at the date of issue of the Series A Debentures contains certain restrictions on the payment of dividends. The most restrictive of these states that the aggregate amount of all dividends declared or paid after January 31, 1970 shall not exceed the Consolidated Net Income of the Company and its Restricted Subsidiaries (as defined) earned subsequent to that same date.

17. Remuneration of directors and senior officers

The aggregate remuneration paid by the Company to 8 directors and 9 senior officers, 6 of whom are also directors, during the year ended January 31, 1974 was as follows:

Directors	$ 4,800
Senior officers	417,419
	$ 422,219

18. Other income

The following items are included under "other income"

Profit on sale of fixed assets and investments	$ 1,048,966
Profit on redemption of debentures for sinking funds purposes	25,000
Exchange gains arising from the translation of foreign subsidiaries' accounts into Canadian dollars	395,773

19. Contributed surplus

Contributed surplus arises from investment premiums granted by the Department of Industry and Commerce of Quebec under the Regional Industrial Development Assistance Act, and by the Department of Regional Economic Expansion under the Regional Development Incentives Act.

20. Contingent liabilities and commitments

a) The Company and its subsidiaries have leases of real property for varying terms up to a maximum of 5 years. Total rental expense for the year ended January 31, 1974 aggregated $194,657 and minimum yearly rentals for the next five years will be: 1975 – $263,639; 1976 – $227,332; 1977 – $186,414; 1978 – $185,201; 1979 – $175,838.

20. Contingent liabilities and commitments (cont'd.)

b) Unrecorded commitments in respect of uncompleted capital expenditures and equipment on order amounted to approximately $600,000 as at January 31, 1974.

c) (i) The Company is being sued in a U.S. of America District Court for the District of Massachusetts. It is alleged that Bombardier Limited induced an Italian company to illegally terminate en exclusive distribution contract for the sale of mini-bikes in North America. The plaintiff claims damages of approximately $2,000,000 U.S. for loss of profits, $355,000 for extra costs and $7,000,000 for decrease in the business value of its enterprise. The Company believes it has defenses against the claim and will continue to present them to the Court. According to the Company's attorneys, no estimate of the outcome or of the extent of liability, if any, can be given at this time.

(ii) The Company has also been sued in a local Court of San Jose, California, by its former distributor for California and Nevada, which alleges that the Company's failure to renew its distributorship contract on March 31, 1969, was a breach of that contract and also violated the American antitrust laws. The suit claims damages in the amount of $522,000 U.S., plus an additional amount of $100,000 U.S. which could be trebled under the antitrust laws. The Company believes the claim to be without merit and is defending the suit.

(iii) The Company and certain of its subsidiaries are being sued in a U.S. of America District Court for the District of Minnesota, by one of its subsidiaries' former distributor. The plaintiff claims approximately $3,000,000 U.S. for alleged breach of contract and interference with contract, plus an amount of $3,000,000 for alleged violation of the United States of America and District of Minnesota antitrust laws, which could be trebled under said antitrust laws. The Company believes it has defenses against the claim and will continue to present them to the Court. According to the Company's counsels, no estimate of the outcome or of the extent of liability, if any, can be given at this time.

(iv) The Company is also defendant in other lawsuits the outcome of which should not materially affect its financial position.

d) In order to help its distributorship network in the financing of new recreative vehicles inventories, the Company is party to various floor plan programs and repurchase agreements with a number of financial institutions in Canada and in the United States of America. The maximum outstanding contingent liability in this respect approximated $6,465,000 at January 31, 1974.

21. Subsequent transaction

Under date of March 7, 1974 the Company has fulfilled its agreement with the minority shareholders of its subsidiary Jarry Precision Ltd., by acquiring their 6,546 preferred shares for a consideration of $543,318 being 83% of the par value of said shares.

Auditors' Report

To the Shareholders of Bombardier Limited:

We have examined the consolidated balance sheet of Bombardier Limited and its subsidiaries as at January 31, 1974 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination of the financial statements of Bombardier Limited and its subsidiaries of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, based upon our examination and the reports of such other auditors, these consolidated financial statements present fairly the financial position of the Company and its subsidiaries as at January 31, 1974, the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Bélanger, Dallaire, Gagnon & Associés

Quebec, Canada
March 15, 1974.

Chartered Accountants

FIVE-YEAR SUMMARY

(In thousands of dollars, except the data per common share and the other statistics)

	1974	1973 *	1972 *	1971 *	1970
Consolidated statement of earnings					
Sales	**$ 132,144**	$ 150,785	$ 182,974	$ 164,924	$ 141,784
Cost of sales	**93,840**	99,416	112,583	93,002	85,252
Selling and administrative expenses	**29,669**	34,083	32,926	25,062	16,123
Depreciation	**8,652**	8,404	8,230	6,978	3,833
Interest on long term debt	**2,281**	2,216	1,495	154	—
Other expenses	**4,479**	3,726	3,867	2,642	891
Other income	**(3,139)**	(1,608)	(1,331)	(1,155)	(779)
Minority shareholders' interest	**(1)**	(6)	(61)	83	—
Taxes on income	**2,339**	4,007	13,654	22,459	19,642
Extraordinary items	**1,886**	—	(466)	119	—
Net (loss) earnings	**$(7,862)**	$ 547	$ 12,077	$ 15,580	$ 16,822
Net (loss) earnings per share	**($0.489)**	$0.034	$0.759	$0.980	$1.121
Average number of common shares	**16,064,272**	15,900,000	15,900,000	15,900,000	15,000,000
Shareholders of record	**5,719**	5,305	5,111	5,593	5,397
Dividends per common share : Class A	—	$0.60	$0.60	$0.60	$0.50
Class B	—	$0.05	$0.10	$0.10	$0.10
Net additions to fixed assets	**$ 3,213**	$ 7,764	$ 13,314	$ 13,813	$ 10,463
Consolidated balance sheet					
Current assets	**$ 92,311**	$ 73,946	$ 67,948	$ 54,462	$ 28,039
Current liabilities	**57,968**	34,581	27,471	33,915	13,264
Working capital	**34,343**	39,365	40,477	20,547	14,775
Investments	**715**	649	928	970	31,934
Fixed assets	**31,510**	34,869	35,153	29,922	16,775
Other assets	**30,925**	30,289	29,483	25,811	497
	97,493	105,172	106,041	77,250	63,981
Long term liabilities	**24,425**	24,463	23,329	3,252	5,732
Minority shareholders' interest	**493**	1,488	1,780	2,297	—
Shareholders' equity	**$ 72,575**	$ 79,221	$ 80,932	$ 71,701	$ 58,249

* Restated figures.

Board of Directors

Laurent Beaudoin, President
André Bombardier
John N. Cole
Jean-Louis Fontaine
Jean-Paul Gagnon
Charles Leblanc
Hon. Jean-Luc Pépin
Pierre Poitras

Officers of Bombardier Limited and of its Subsidiaries

Laurent Beaudoin,
President and Chief Executive Officer
André Bombardier,
Vice-President
Jean-Paul Gagnon,
Vice-President, financial services
Charles Leblanc,
Vice-President, administration
Pierre Poitras,
Vice-President, finance
Jean Rivard,
Secretary of the Company and
Director of legal services
Marie-Claire Simoneau,
Assistant-Secretary

Recreational Products Group

Michel Cloutier,
Vice-President, marketing
Jacques Beaudoin,
Vice-President, finance
Guy Bertrand,
Vice-President, snowmobile research
Gary A. Robison,
Vice-President, motorcycle research
Robert Lapointe,
Vice-President, production

Manufacturing Subsidiaries Group

Heroux Limited
Rockland Industries Ltd.
La Salle Plastics Inc.
Drummond Automatic Plating Inc.
Roski Ltd.
Ville-Marie Upholstering Ltd.
Apparel and Accessory Division
Fernand Turgeon,
Vice-President, Manufacturing
Subsidiaries Group
Normand Carpentier,
Vice-President, marketing
Jean-Louis Fontaine,
Vice-President, production

Industrial Division

Gilles Côté,
General Manager
Paul A. Larose,
Vice-President, finance

Bombardier-Rotax GmbH.
(Motor Division)

Helmut Rothe, President
Karl Pötzlberger,
General Manager, Gunskirchen plant
Othmar Stöllnberger,
General Manager, Vienna plant

Distribution Subsidiaries

Pierre Cloutier,
General Manager,
Bombardier Limited, Eastern Canada
Distribution Division
Warren Daoust,
President,
Bombardier Corporation

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de Bombardier Ltée

BOMBARDIER

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